

TENNESSEE HOUSING DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2000, AND JUNE 30, 1999

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

The Tennessee Housing Development Agency was created by an act of the legislature (Chapter 241, Public Acts, 1973). The act was approved by the Governor on May 14, 1973. The enabling legislation can be found in *Tennessee Code Annotated*, Section 13-23-101 *et seq.* The purpose of the agency is to improve housing and living conditions for lower- and moderate-income persons and families in Tennessee by making loans and mortgages to qualified sponsors, builders, developers, and purchasers of low- and moderate-income family dwellings.

Agency operations are directed by a 19-member board of directors. The board consists of five members who serve *ex officio* (the State Treasurer, the Comptroller of the Treasury, the Commissioner of the Department of Finance and Administration, the Secretary of State, and a staff assistant to the Governor), and 14 appointed members -- 12 appointed by the Governor and one each by the Speaker of the House and the Speaker of the Senate. The board includes representatives of the housing, real estate, home-building, and mortgage-lending industries; representatives of local government and nonprofit organizations; and citizens from the public at-large.

In order to accomplish its objectives, the agency is authorized to raise funds through the issuance of bonds and notes. Bonds and notes issued by the agency are not general obligations of the State of Tennessee or any of its political subdivisions, and neither the faith and credit nor the taxing power of the state or any political subdivision is pledged for payment of the principal or interest on such bonds or notes.

The Tennessee Housing Development Agency is a component unit of the State of Tennessee. Although the agency is a separate legal entity, the state appoints a majority of its governing body, approves its budget, and provides some financial support. The agency is discretely presented in the *Tennessee Comprehensive Annual Financial Report*.

b. Basis of Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The agency follows all applicable GASB pronouncements as well as applicable private-sector pronouncements issued on or before November 30, 1989. Certain accounting policies and procedures are stipulated in the agency's Mortgage Finance Program, Single Family Program, and Homeownership Program bond resolutions and the Single Family Mortgage Notes trust indenture. The agency follows these procedures in establishing and maintaining the various funds and accounts for its programs. Revenues and expenses applicable to each fund and account are recorded therein.

c. Basis of Accounting and Measurement Focus

The accompanying financial statements have been prepared using the accrual basis of accounting and the flow of economic resources measurement focus. Under this basis, revenues are recorded when earned and expenses are recorded when liabilities are incurred.

TENNESSEE HOUSING DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
JUNE 30, 2000, AND JUNE 30, 1999

d. Depreciation

The agency records furniture and office equipment at cost and follows the straight-line method of depreciating the assets over their estimated useful lives, which are determined considering physical factors as well as obsolescence factors.

e. Bond Issuance Costs, Refunding Costs, and Interest Accretion

1. Bond Issuance Costs: The agency amortizes bond issuance costs using the bonds outstanding method over the life of the related bond issue. Unamortized bond issuance costs are reported as deferred charges.
2. Bond Refunding Costs: The agency amortizes bond refunding costs using the straight-line method. Bonds payable are reported net of the unamortized bond refunding costs.
3. Interest Accretion: The difference between the face amount of deep discount bonds and the public offering price is not treated as bond discount. Deep discount bonds are subject to redemption at prices which increase from the public offering price up to the face amount. The carrying amount of these bonds is adjusted monthly to reflect the increased liability, with a corresponding charge to interest expense.
4. Mortgage Discount: Discounts on 30-year mortgage loans purchased by the agency are amortized using the straight-line method over 17 years, the estimated average life of mortgages. The amount amortized is credited to interest income.

f. Cash and Cash Equivalents

In addition to demand deposits, petty cash, and deposits in the pooled investment fund administered by the State Treasurer, this classification includes short-term investments with original maturities of three months or less from the date of acquisition.

g. Investments

The agency has established guidelines for its funds to meet the requirements of the bond resolutions and to comply with the statutes of the State of Tennessee. Permitted investments include the following: direct obligations of the U.S. Treasury and U.S. Agencies; obligations guaranteed by the U.S.; public housing bonds secured by contracts with the U.S.; direct and general obligations of the State of Tennessee or obligations guaranteed by the State of Tennessee; obligations of other states or instrumentalities thereof which are rated in either of the two highest rating categories by Moody's Investor Service or Standard & Poor's Corporation; interest bearing time or demand deposits; collateralized certificates of deposit in authorized state depositories; and repurchase agreements collateralized by authorized securities.

Investments are stated at fair value.

h. Accrual of Interest Income

Interest on first mortgage loans receivable and investment securities is credited to income as earned and classified as interest receivable.

i. Mortgages

Mortgages are carried at their original amount less principal collected.

TENNESSEE HOUSING DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
JUNE 30, 2000, AND JUNE 30, 1999

NOTE 2. DEPOSITS AND INVESTMENTS

a. Deposits

The agency's deposits are in financial institutions which participate in the bank collateral pool administered by the State Treasurer. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

At June 30, 2000, the carrying amount of the agency's deposits was \$17,686,910, and the bank balance was \$19,327,472. At June 30, 1999, the carrying amount of the agency's deposits was \$22,218,445, and the bank balance was \$23,648,641. All bank balances were insured. The carrying amount of cash on deposit in the State Treasurer's pooled investment fund was \$30,621,708 on June 30, 2000 and \$53,930,380 on June 30, 1999.

b. Investments

The agency's investments are categorized to indicate the level of custodial risk assumed by the agency at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the agency or its agent in the agency's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the agency's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the agency's name. Investments are categorized as follows:

June 30, 2000				
	Category			Fair
	<u>1</u>	<u>2</u>	<u>3</u>	Value
Cash equivalents and short-term investments				
Repurchase agreements	\$ 183,192,996		\$184,004	\$ 183,377,000
U S government securities	132,686,634			132,686,634
Total cash equivalents and short-term investments	<u>\$ 315,879,630</u>		<u>\$184,004</u>	<u>\$ 316,063,634</u>
Long-term investments				
U S government securities	\$ 390,607,096			\$ 390,607,096
State & local government securities	1,016,636			1,016,636
Total long-term investments	<u>\$ 391,623,732</u>			<u>\$ 391,623,732</u>
Total	<u><u>\$ 707,503,362</u></u>		<u><u>\$184,004</u></u>	<u><u>\$ 707,687,366</u></u>

TENNESSEE HOUSING DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
JUNE 30, 2000, AND JUNE 30, 1999

June 30, 1999				
	Category			Fair Value
	<u>1</u>	<u>2</u>	<u>3</u>	
Cash equivalents and short-term investments				
Repurchase agreements	\$ 156,275,000			\$ 156,275,000
U S government securities	173,962,521			173,962,521
State and local government securities	100,003			100,003
Total cash equivalents and short-term investments	\$ 330,337,524			\$ 330,337,524
Long-term investments				
U S government securities	\$ 431,138,123			\$ 431,138,123
State & local government securities	1,022,299			1,022,299
Total long-term investments	\$ 432,160,422			\$ 432,160,422
Total	\$ 762,497,946			\$ 762,497,946

NOTE 3. CHECKS PAYABLE

This amount represents the sum of checks written in excess of the agency's checking account balance because of the agency's use of a controlled disbursement account. Through the use of a controlled disbursement account, the agency maximizes interest income by transferring from an investment account only funds necessary to cover the checks that clear the bank daily.

NOTE 4. REVENUE BONDS AND NOTES PAYABLE

a. Bonds Issued and Outstanding

The following tables are a summary of bonds issued and outstanding as of June 30, 2000 and June 30, 1999:

BONDS ISSUED							BONDS OUTSTANDING	
(Thousands)							(Thousands)	
SERIAL BONDS				TERM BONDS				
<u>Series</u>	<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate (Percent)</u>	<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate (Percent)</u>	<u>06-30-2000</u>	<u>06-30-1999</u>
MORTGAGE FINANCE PROGRAM BONDS								
1993A	1/1/99-7/1/2008	\$136,420	4.70 to 5.70	7/1/2010	\$ 15,365	5.800		
				7/1/2013	25,540	5.850		
				7/1/2018	28,815	5.900		
				7/1/2028	59,770	5.950	\$246,310	\$260,995
1994A	1/1/96-7/1/2009	14,760	4.4 to 6.35	1/1/2019	20,835	6.400		
				7/1/2025	24,405	6.900	40,315	47,085
1994B	7/1/96-7/1/2011	30,095	4.50 to 6.40	7/1/2014	10,015	6.450		
				7/1/2019	21,810	6.550		
				7/1/2025	38,080	6.600	69,670	83,305
1995A	1/1/97-7/1/2008	14,270	5.45 to 6.55	7/1/2010	3,735	6.650		
				7/1/2014	9,350	6.850		
				7/1/2020	20,485	7.050		
				7/1/2026	32,160	7.125	53,525	69,315
1995B				7/1/2015	3,135	6.150		
				7/1/2018	12,155	6.200	15,290	15,290

TENNESSEE HOUSING DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
JUNE 30, 2000, AND JUNE 30, 1999

BONDS ISSUED							BONDS OUTSTANDING	
(Thousands)							(Thousands)	
SERIAL BONDS				TERM BONDS				
Series	Maturity	Amount	Interest Rate (Percent)	Maturity	Amount	Interest Rate (Percent)	06-30-2000	06-30-1999
MORTGAGE FINANCE PROGRAM BONDS (cont.)								
1995C	1/1/97-7/1/2009	22,990	4.8 to 5.95	7/1/2015	15,300	6.100		
				7/1/2021	14,685	6.450		
				7/1/2026	31,735	6.550	58,690	69,465
TOTAL MORTGAGE								
FINANCE PROGRAM BONDS		\$218,535			\$ 387,375		\$483,800	\$545,455
HOMEOWNERSHIP PROGRAM BONDS								
Issue G	7/1/89-7/1/2002	\$ 16,345	5.25 to 7.5	7/1/2006	\$ 8,500	7.650	\$ 3,450	\$ 4,470
Issue J	7/1/92-7/1/2003	6,010	6.25 to 7.40	7/1/2008	4,555	7.625		
				7/1/2017	14,435	7.750	-0-	7,675
Issue K	7/1/92-7/1/2003	18,960	6.4 to 7.7	7/1/2021	52,755	8.125		
				7/1/2004 to 7/1/2008		7.90 to 8.10		
					3,060		1	12,890
						Interest accretion	2	3,996
Issue M				7/1/2017	28,740	7.125	25,340	25,585
Issue N	7/1/91-7/1/2008	29,000	6.7 to 7.5	7/1/2011	8,725	7.600		
				7/1/2020	19,275	7.650	9,765	29,260
Issue O	7/1/91-7/1/2005	21,580	6.4 to 7.5	7/1/2009	10,675	7.700		
				7/1/2020	51,745	7.750	9,875	12,760
Issue P	7/1/97-7/1/2010	17,540	6.85 to 7.50	7/1/2016	22,460	7.700	9,874	14,628
						Interest accretion	10,683	11,031
Issue S	7/1/92-7/1/2005	16,210	6.2 to 7.4	7/1/2010	10,985	7.500		
				7/1/2022	51,405	7.625	6,215	68,705
Issue T	7/1/92-7/1/2002	9,560	5 to 6.75	7/1/2011	15,875	7.300		
				7/1/2023	46,940	7.375	66,170	67,140
Issue U	7/1/00-7/1/2006	10,570	6.40 to 6.95	7/1/2011	11,460	7.350		
				7/1/2016	15,660	7.400	24,900	27,235
Issue V	7/1/92-7/1/99	7,725	5.30 to 6.55	7/1/2022	29,585	7.650	5	1,020
Issue WR	7/1/94-7/1/2007	15,020	4.25 to 6.45	7/1/2012	9,725	6.700		
				7/1/2017	25,155	6.800	39,740	43,300
Issue XR				7/1/2022	8,555	6.875	-0-	1,530
Issue Y1	1/1/95-7/1/2007	4,860	3.50 to 5.60	7/1/2013	3,660	5.800		
				7/1/2017	3,245	5.900	9,760	10,100
Issue Z1	1/1/95-7/1/2007	5,505	3.75 to 5.85	7/1/2013	3,535	6.000		
				7/1/2023	16,250	5.375		
				7/1/2024	12,945	6.100	21,795	25,860
Issue Y2	1/1/04-7/1/2007	1,520	5.00 to 5.20	7/1/2013	2,965	5.450		
				7/1/2017	2,575	5.550	6,890	6,890
Issue Z2	1/1/95-7/1/2003	3,790	3.5 to 5.0	7/1/2023	12,000	5.000		
				7/1/2024	7,150	5.750	13,210	15,465
1995-1	1/1/97-7/1/2010	16,965	4.35 to 6.05	7/1/2016	13,060	6.350		
				7/1/2021	15,635	6.400		
				1/1/2026	19,340	6.480	27,305	27,735
1996-1A	7/1/97	290	4.00	7/1/98-7/1/2012	12,225	4.10 to 5.60		
				7/1/2015	4,210	5.700		
				7/1/2017	3,255	5.750		
				7/1/2022	10,090	5.800		
				1/1/2026	9,125	5.850	35,030	37,545
1996-1B	7/1/2010-1/1/2011	805	5.35 to 5.45				805	805
1996-2A	1/1/98-7/1/2014	20,310	4.40 to 6.15	7/1/2016	4,675	6.000		
				7/1/2022	18,360	6.350		
				1/1/2027	18,835	6.375	55,820	60,065
1996-2B	7/1/2009-1/1/2011	2,820	5.70 to 5.80				2,820	2,820
1996-3	7/1/99-7/1/2012	16,490	4.30 to 5.65	7/1/2017	10,670	5.850		
				7/1/2023	18,540	5.850		
				1/1/2028	19,300	6.000	42,200	42,750

TENNESSEE HOUSING DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
JUNE 30, 2000, AND JUNE 30, 1999

BONDS ISSUED							BONDS OUTSTANDING	
(Thousands)							(Thousands)	
SERIAL BONDS				TERM BONDS				
Series	Maturity	Amount	Interest Rate (Percent)	Maturity	Amount	Interest Rate (Percent)	06-30-2000	06-30-1999
HOMEOWNERSHIP PROGRAM BONDS (cont.)								
1996-4 A	7/1/98-7/1/2011	\$ 13,535	4.35 to 6.00	7/1/2016	\$ 8,975	6.050		
				7/1/2022	15,485	6.375		
				1/1/2027	16,400	6.450	51,770	53,455
1996-4 B	1/1/2011	605	5.85				605	605
1996-5A	7/1/99-7/1/2012	8,180	4.00 to 5.35	7/1/2017	4,825	5.500		
				7/1/2023	7,935	5.550		
				7/1/2028	9,060	5.750	29,555	30,000
1996-5B	7/1/99- 7/1/2012	8,880	3.85 to 5.05	7/1/2017	4,835	5.000		
				7/1/2023	7,700	5.375		
				7/1/2028	8,585	5.400	29,340	30,000
1997-1	7/1/99-7/1/2012	16,385	4.00 to 5.10	7/1/2017	9,695	5.000		
				7/1/2023	15,845	5.375		
				1/1/2028	15,960	5.400	56,875	57,885
1997-2	7/1/2000- 7/1/2013	15,040	3.20 to 4.75	01/01/2018	7,495	5.100		
				01/01/2024	13,040	5.150		
				01/01/2029	14,425	5.200	50,000	50,000
1997-3A	1/1/98-7/1/2008	40,911	4.00 to 5.35	7/1/2012	23,174	5.125		
				1/1/2017	1,133	5.875		
				7/1/2017	2,746	5.875	48,666	58,413
					Interest accretion		7,290	5,370
1997-3B				7/1/2016	20,044	5.725	20,044	20,044
					Interest accretion		3,339	2,056
1998-1	7/1/2001-7/1/2014	14,800	3.95 to 5.20	1/1/2019	7,500	5.250		
				1/1/2024	10,655	5.300		
				1/1/2030	17,045	5.400	49,985	50,000
1998-2	7/1/2000- 7/1/2012	7,850	4.00 to 5.05	7/1/2017	4,620	5.100		
				7/1/2023	7,385	5.350		
				7/1/2029	10,145	5.375	29,950	30,000
1998-3A	7/1/2000- 7/1/2001	700	3.70 to 3.90	1/1/2024	11,135	5.250		
				1/1/2030	13,365	5.300	25,200	25,200
1998-3B	7/1/2001- 7/1/2012	9,475	3.80 to 4.80	1/1/2017	5,325	5.000	14,800	14,800
1998-3C				11/18/99	40,000	3.100	-0-	40,000
1998-3C	7/1/2001- 7/1/2013	9,325	4.30 to 5.50	1/1/2020	8,000	6.000		
				1/1/2025	8,545	6.125		
				1/1/2031	14,130	6.150	40,000	-0-
1999-1A	7/1/2001 – 7/1/2014	11,090	3.95 to 5.20	1/1/2019	5,615	5.250		
				1/1/2024	7,980	5.300		
				1/1/2031	15,315	5.400	40,000	40,000
1999-1B				6/15/2000	35,000	3.250	-0-	35,000
1999-1B				7/1/2019	1,000	6.250	1,000	-0-
1999-2A	7/1/2001 - 7/1/2014	\$25,500	4.25 to 5.45	7/1/2018	11,625	5.600		
				7/1/2025	20,985	5.650		
				7/1/2031	34,220	5.700	92,325	-0-
1999-2B				7/1/2020	7,670	5.500	7,670	-0-
1999-2C				8/15/2000	50,000	3.570	50,000	-0-
1999-3	7/1/2001 – 7/1/2013	25,630	4.30 to 5.50	1/1/2020	22,025	6.000		
				1/1/2025	23,495	6.125		
				1/1/2031	38,850	6.150	110,000	-0-
2000-1	7/1/2001 – 7/1/2014	24,945	4.60 to 6.05	7/1/2020	19,230	6.125		
				7/1/2025	22,525	6.375		
				7/1/2031	38,300	6.400	105,000	-0-
2000-2A				1/1/2031	22,000	7.930	22,000	-0-
2000-2B	7/1/2001 – 7/1/2015	24,060		1/1/2020	12,770	6.250		
				1/1/2026	23,585	6.250		
				7/1/2030	10,000	6.350		
				1/1/2031	17,585	6.350	88,000	-0-
TOTAL HOMEOWNERSHIP PROGRAM BONDS		\$498,786			\$1,496,897		\$1,395,069	\$1,104,088
TOTAL ALL ISSUES		\$717,321			\$1,884,272		\$1,878,869	\$1,649,543

b. Debt Service Requirements

TENNESSEE HOUSING DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
JUNE 30, 2000, AND JUNE 30, 1999

Debt service requirements to maturity at June 30, 2000 are as follows (expressed in thousands):

For the Year(s) Ending			Total
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Requirements</u>
2001	\$ 85,763	\$ 102,966	\$ 188,729
2002	41,805	102,445	144,250
2003	47,647	100,418	148,065
2004	48,844	98,178	147,022
2005	54,267	97,251	151,518
2006 – 2032	<u>1,579,229</u>	<u>1,311,589</u>	<u>2,890,818</u>
Total	<u>\$1,857,555</u>	<u>\$1,812,847</u>	<u>\$ 3,670,402</u>

The debt principal in the preceding table is \$21.3 million less than that presented in the accompanying financial statements. This amount, representing the accretion to date of interest on deep discount bonds in those years preceding the first principal payment on these bonds, has been reported as bond principal in the financial statements; it has been reported here as interest in those years (2001-2017) in which the bonds mature.

c. Redemption of Bonds and Notes

During the year ended June 30, 2000, bonds were retired at par before maturity in the Mortgage Finance Program Bonds in the amount of \$10,175,000 and in the Homeownership Program Bonds in the amount of \$31,887,921. The respective carrying values of these bonds were \$10,101,570 and \$31,634,893. This resulted in a loss to the Mortgage Finance Program of \$73,430 and the Homeownership Program of \$253,028.

On July 1, August 12, and September 10, 1999, the agency used \$60,205,000 of Bond Issue 1999-1, which were issued on June 17, 1999, to refund certain bonds and notes previously issued in the Mortgage Finance Program, the Homeownership Program and the 1999CN-1 Single Family Mortgage Note Program. The carrying amount of those bonds and notes was \$59,789,149. The refunding resulted in a difference of \$415,851 between the reacquisition price and the net carrying amount of the old debt. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2022. The agency completed the refunding to reduce its total debt service over the next 31 years by \$14,614,562 and realized an economic gain (the difference between the present values of the old and new debt service payments) of \$16,430,410.

On July 29, 1999, the agency issued \$150,000,000 in Homeownership Program Bonds, Issue 1999-2, of which \$43,105,000 was used on September 9 and 10, 1999 to refund certain bonds and notes previously issued in the Homeownership Program and the 1999CN-1 Single Family Mortgage Note Program. The carrying amount of those bonds and notes was \$42,731,578. The refunding resulted in a difference of \$373,422 between the reacquisition price and the net carrying amount of the old debt. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2022. The agency completed the refunding to reduce its total debt service over the next 31 years by \$9,094,543 and realized an economic gain (the difference between the present values of the old and new debt service payments) of \$16,502,378.

On October 20, 1999, the agency remarketed \$40,000,000 in Homeownership Program Bonds, Issue 1998-3. The total amount of this bond issue was \$80,000,000, of which \$62,885,000 was used on December 2, 1998 to refund certain bonds and notes in the Mortgage Finance Program, the

Homeownership Program and the Convertible Notes 1997 CN-1. The agency completed the refunding to reduce its total debt service over the next 31 years by \$5,231,934 and realized an economic gain (the

TENNESSEE HOUSING DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

JUNE 30, 2000, AND JUNE 30, 1999

difference between the present values of the old and new debt service payments) of \$10,042,943. Also on this date, the agency issued \$110,000,000 in Homeownership Program Bonds, Issue 1999-3, of which \$32,645,000 (\$23,680,000 early redemption and \$8,965,000 current maturities) was used on January 1, 2000 to refund bonds previously issued in the Mortgage Finance Program and the Homeownership Program. The carrying amount of those bonds was \$23,449,331. The refunding resulted in a difference of \$230,669 between the reacquisition price and the net carrying amount of the old debt. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2026. The agency completed the refunding to reduce its total debt service over the next 31 years by \$1,754,403 and realized an economic gain (the difference between the present values of the old and new debt service payments) of \$15,633,882.

On February 17, 2000, the agency issued \$105,000,000 in Homeownership Program Bonds, Issue 2000-1, of which \$27,670,852 was used on April 1, 2000 to refund bonds previously issued in the Mortgage Finance Program and the Homeownership Program. The carrying amount of those bonds and notes was \$27,437,214. The refunding resulted in a difference of \$233,638 between the reacquisition price and the net carrying amount of the old debt. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2031. The agency completed the refunding to reduce its total debt service over the next 31 years by \$6,697,095 and realized an economic gain (the difference between the present values of the old and new debt service payments) of \$1,801,518.

On June 15, 2000, the agency issued \$110,000,000 in Homeownership Program Bonds, Issue 2000-2 A & B, and \$31,180,000 in Homeownership Program Notes, Issue 2000-2 C & D of which \$34,000,000 (\$28,955,000 bonds and \$5,045,000 notes) was used on June 15, 2000 to refund current maturities of bonds previously issued in the Homeownership Program. An additional \$107,180,000 (\$81,045,000 bonds and \$26,135,000 notes) of the proceeds will be used on July 1, and August 15, 2000 to refund bonds previously issued in the Mortgage Finance Program and the Homeownership Program. Also on this date, the agency remarketed \$1,000,000 of Homeownership Program Bonds, Issue 1999-1B.

During the year ended June 30, 1999, bonds were retired at par before maturity in the Mortgage Finance Program Bonds in the amount of \$4,220,000 and in the Homeownership Program Bonds in the amount of \$76,179,483. The respective carrying values of these bonds were \$4,181,124 and \$75,518,893. This resulted in a loss to the Mortgage Finance Program of \$38,876 and the Homeownership Program of \$660,590.

On July 1, 1998, the agency drew down \$17,245,000 of the convertible notes, 1997 CN-1, to refund certain bonds previously issued in the Homeownership Program. The carrying amount of these bonds was \$17,081,062. The refunding resulted in a difference of \$163,938 between the reacquisition price and the net carrying amount of the old debt. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2022. A portion of this refunding was accomplished using proceeds of short-term debt, which was remarketed on October 20, 1999. Also on this date, the agency used \$40,930,000 of the proceeds from the Homeownership Program Bond Issue 1998-1 to refund certain bonds previously issued in the Mortgage Finance Program and the Homeownership Program. The carrying amount of these bonds was \$40,602,716. The refunding resulted in a difference of \$327,284 between the reacquisition price and the net carrying amount of the old debt. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2026. A portion of this refunding was accomplished using proceeds of short-term debt, which was remarketed on June 17, 1999.

TENNESSEE HOUSING DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
JUNE 30, 2000, AND JUNE 30, 1999

On August 1, 1998, the agency issued \$30,000,000 in Homeownership Program Bonds, Issue 1998-2, of which \$27,150,000 was used on October 30, 1998 to refund certain bonds previously issued in the Homeownership Program. The carrying amount of those bonds was \$26,897,268. The refunding resulted in a difference of \$252,732 between the reacquisition price and the net carrying amount of the old debt. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2027. The agency completed the refunding to reduce its total debt service over the next 31 years by \$3,894,097 and realized an economic gain (the difference between the present values of the old and new debt service payments) of \$4,097,864.

On December 2, 1998, the agency issued \$80,000,000 in Homeownership Program Bonds, Issues 1998-3A, B, and C. The proceeds of these bonds were used to refund previously issued bonds and notes as follows: (1) \$46,265,000 was used to refund the first draw of the Convertible Notes, 1997 CN-1, which refunded certain bonds previously issued in the Mortgage Finance and Homeownership Programs on January 1, 1998. The carrying amount of those bonds was \$45,863,992. (2) \$10,240,000 was used to refund the second draw of 1997 CN-1, which refunded certain bonds previously issued in the Homeownership Program on July 1, 1998. The carrying amount of those bonds was \$10,142,654. (3) \$6,380,000 was used on January 1, 1999 to refund certain bonds previously issued in the Mortgage Finance and Homeownership Programs. The carrying amount of those bonds was \$6,340,543. The refunding resulted in a difference of \$39,457 between the reacquisition price and the net carrying amount of the old debt. The difference between the reacquisition price and the net carrying amount of the bonds refunded in (1) and (2) above and the disposition thereof was documented at the time the bonds were originally refunded. The difference between the reacquisition price and the net carrying amount of the bonds refunded in (3) above, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2026. A portion of this refunding was accomplished using proceeds of short-term debt, which was remarketed on October 20, 1999.

On March 4, 1999, the agency remarketed \$50,000,000 in Homeownership Program Bonds, Issue 1997-2, of which \$29,725,000 was used to refund certain bonds previously issued in the Homeownership Program. The agency completed the refunding to reduce its total debt service over the next 30 years by \$12,161,239 and realized an economic gain (the difference between the present values of the old and new debt service payments) of \$7,484,437.

On April 13, 1999, the agency issued \$200,000,000 of drawdown notes, 1999CN-1, of which \$65,235,000 was drawn down to refund on July 1, 1999 certain bonds previously issued in the Mortgage Finance Program and the Homeownership Program (this amount consists of \$63,004,030.15 early redemption and \$2,230,969.85 current maturities). This refunding was accomplished using proceeds of short-term debt, which was refunded on August 12, and September 9, 1999.

On June 17, 1999, the agency remarketed \$50,000,000 in Homeownership Program Bonds, Issue 1998-1, of which \$40,930,000 was used to refund certain bonds previously issued in the Mortgage Finance Program and the Homeownership Program. The agency completed the refunding to reduce its total debt service over the next 31 years by \$4,800,345 and realized an economic gain (the difference between the present values of the old and new debt service payments) of \$7,790,649.

Details of the bond retirements by issue are as follows:

Year Ended June 30, 2000						
Date of Call	Issue	Par Value	Carrying Amount	(Loss)	Deferred Amount	Source of Funds
MORTGAGE FINANCE PROGRAM BONDS						
07/01/99	94A	\$ 2,485,000	\$ 2,472,503		(\$ 12,497)	Current Refunding
07/01/99	94B	4,815,000	4,778,665		(36,335)	Current Refunding
07/01/99	95A	9,460,000	9,369,057		(90,943)	Current Refunding
07/01/99	95C	145,000	143,684		(1,316)	Current Refunding

TENNESSEE HOUSING DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
JUNE 30, 2000, AND JUNE 30, 1999

Year Ended June 30, 2000 (cont.)

Date of Call	Issue	Par Value	Carrying Amount	(Loss)	Deferred Amount	Source of Funds
MORTGAGE FINANCE PROGRAM BONDS (cont.)						
07/01/99	95C	3,600,000	3,567,327	(\$32,673)		Prepayments
09/01/99	93A	3,845,000	3,828,457	(16,543)		Prepayments
01/01/2000	94A	1,400,000	1,393,096		(6,904)	Current Refunding
01/01/2000	94B	2,785,000	2,764,477		(20,523)	Current Refunding
01/01/2000	95A	2,050,000	2,030,752		(19,248)	Current Refunding
01/01/2000	95C	855,000	847,416		(7,584)	Current Refunding
01/01/2000	95C	2,730,000	2,705,786	(24,214)		Prepayments
04/01/2000	94A	2,030,000	2,020,136		(9,864)	Current Refunding
04/01/2000	94B	4,575,000	4,541,863		(33,137)	Current Refunding
04/01/2000	95A	3,325,000	3,294,291		(30,709)	Current Refunding
04/01/2000	95C	2,025,000	2,007,328		(17,672)	Current Refunding
Sub-Total-		\$ 46,125,000	\$45,764,838	(\$73,430)	(\$286,732)	
HOMEOWNERSHIP PROGRAM BONDS						
07/01/99	88J	\$ 7,135,000	\$ 7,071,784		(\$ 63,216)	Current Refunding
07/01/99	88K	15,189,030	15,089,849		(99,181)	Current Refunding
07/01/99	90S	32,430,000	32,092,082		(337,918)	Current Refunding
07/01/99	91W	315,000	311,700	(\$ 3,300)		Prepayments
07/01/99	91X	1,530,000	1,513,974	(16,026)		Prepayments
07/01/99	92Z1	2,020,000	2,003,277	(16,723)		Prepayments
07/01/99	92Z2	825,000	818,162	(6,838)		Prepayments
07/01/99	96-1	740,000	735,106	(4,894)		Prepayments
07/01/99	96-2	1,225,000	1,215,678	(9,322)		Prepayments
07/01/99	96-4	250,000	247,524	(2,476)		Prepayments
07/01/99	97-3	4,397,769	4,367,691	(30,078)		Prepayments
09/10/99	90S	14,420,000	14,272,133		(147,867)	Current Refunding
01/01/2000	89M	14,140,000	13,987,696		(152,304)	Current Refunding
01/01/2000	89M	3,915,000	3,872,831	(42,169)		Prepayments
01/01/2000	89O	1,175,000	1,166,486	(8,514)		Prepayments
01/01/2000	90P	2,039,847	2,032,557	(7,290)		Prepayments
01/01/2000	90S	2,450,000	2,425,894		(24,106)	Current Refunding
01/01/2000	91U	2,090,000	2,070,888	(19,112)		Prepayments
01/01/2000	91W	2,040,000	2,019,504	(20,496)		Prepayments
01/01/2000	92Z1	880,000	872,880	(7,120)		Prepayments
01/01/2000	92Z2	390,000	386,842	(3,158)		Prepayments
01/01/2000	96-1	1,215,000	1,207,140	(7,860)		Prepayments
01/01/2000	96-2	1,875,000	1,861,036	(13,964)		Prepayments
01/01/2000	96-4	505,000	500,103	(4,897)		Prepayments
01/01/2000	97-1	45,000	44,586	(414)		Prepayments
01/01/2000	97-3	4,380,305	4,352,268	(28,037)		Prepayments
01/01/2000	98-1	15,000	14,854	(146)		Prepayments
01/01/2000	98-2	20,000	19,806	(194)		Prepayments
04/01/2000	89M	245,000	242,417		(2,583)	Current Refunding
04/01/2000	89O	245,000	243,376		(1,624)	Current Refunding
04/01/2000	90P	248,338	247,494		(844)	Current Refunding
04/01/2000	90S	12,105,000	11,990,734		(114,266)	Current Refunding
04/01/2000	91U	245,000	242,824		(2,176)	Current Refunding
04/01/2000	91W	245,000	242,592		(2,408)	Current Refunding
04/01/2000	92Z1	750,000	744,033		(5,967)	Current Refunding
04/01/2000	92Z2	615,000	610,095		(4,905)	Current Refunding
04/01/2000	96-1	245,000	243,454		(1,546)	Current Refunding
04/01/2000	96-2	245,000	243,202		(1,798)	Current Refunding
04/01/2000	96-4	160,000	158,471		(1,529)	Current Refunding
04/01/2000	97-1	85,000	84,229		(771)	Current Refunding
04/01/2000	97-3	247,514	245,991		(1,523)	Current Refunding
04/01/2000	98-2	30,000	29,713		(287)	Current Refunding
04/01/2000	99-2	5,000	4,971		(29)	Current Refunding
Sub-Total		\$133,367,803	\$132,147,927	(\$253,028)	(\$ 966,848)	
Total		\$179,492,803	\$177,912,765	(\$326,458)	(\$1,253,580)	

TENNESSEE HOUSING DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
JUNE 30, 2000, AND JUNE 30, 1999

Year Ended June 30, 1999

Date of Call	Issue	Par Value	Carrying Amount	(Loss)	Deferred Amount	Source of Funds
MORTGAGE FINANCE PROGRAM BONDS						
07/01/98	94A	\$ 1,855,000	\$ 1,845,291		(\$ 9,709)	Current Refunding
07/01/98	94B	2,555,000	2,534,836		(20,164)	Current Refunding
07/01/98	95A	3,330,000	3,296,550		(33,450)	Current Refunding
07/01/98	95 C	2,305,000	2,283,155		(21,845)	Current Refunding
07/01/98	95C	110,000	108,958	(\$ 1,042)		Prepayments
01/01/99	94A	3,000,000	2,984,740		(15,260)	Current Refunding
01/01/99	94B	3,025,000	3,001,839		(23,161)	Current Refunding
01/01/99	95C	4,110,000	4,072,166	(37,834)		Prepayments
	Sub-Total-	\$ 20,290,000	\$ 20,127,535	(\$ 38,876)	(\$ 123,589)	
HOMEOWNERSHIP PROGRAM BONDS						
07/01/98	86G	\$ 355,000	\$ 351,820		(\$ 3,180)	Current Refunding
07/01/98	86H	1,300,000	1,288,354		(11,646)	Current Refunding
07/01/98	89O	31,265,000	30,987,758		(277,242)	Current Refunding
07/01/98	89O	4,090,000	4,053,732	(\$36,268)		Prepayments
07/01/98	91V	9,600,000	9,503,854		(96,146)	Current Refunding
07/01/98	91V	325,000	321,745	(3,255)		Prepayments
07/01/98	91XR	685,000	677,417	(7,583)		Prepayments
07/01/98	92Z1	1,360,000	1,348,296		(11,704)	Current Refunding
07/01/98	92Z2	715,000	708,864		(6,136)	Current Refunding
10/30/98	89O	4,900,000	4,858,528		(41,472)	Current Refunding
10/30/98	96-3	22,250,000	22,038,740		(211,260)	Current Refunding
10/30/98	97-3	3,943,611	3,914,531	(29,080)		Prepayments
01/01/99	86G	1,555,000	1,541,918	(13,082)		Prepayments
01/01/99	86H	5,700,000	5,652,045	(47,955)		Prepayments
01/01/99	89N	645,000	637,638	(7,362)		Prepayments
01/01/99	89O	915,000	907,476	(7,524)		Prepayments
01/01/99	90P	2,960,000	2,941,746	(18,254)		Prepayments
01/01/99	91V	1,130,000	1,119,053	(10,947)		Prepayments
01/01/99	91XR	2,060,000	2,038,026	(21,974)		Prepayments
01/01/99	92Z1	1,910,000	1,893,876	(16,124)		Prepayments
01/01/99	92Z2	1,065,000	1,056,019	(8,981)		Prepayments
01/01/99	95-1	355,000	353,964		(1,036)	Current Refunding
01/01/99	96-1A	295,000	293,007	(1,993)		Prepayments
01/01/99	96-2A	620,000	615,182	(4,818)		Prepayments
01/01/99	96-4A	130,000	128,685	(1,315)		Prepayments
01/01/99	97-3A	4,585,872	4,552,581	(33,291)		Prepayments
06/01/99	89N	16,360,000	16,179,032	(180,968)		Prepayments
06/01/99	89O	6,255,000	6,207,443	(47,557)		Prepayments
06/01/99	90P	9,755,000	9,697,730	(57,270)		Prepayments
06/01/99	91V	11,195,000	11,090,011	(104,989)		Prepayments
	Sub-Total	\$148,279,483	\$146,959,071	(\$660,590)	(\$659,822)	
	Total	\$168,569,483	\$167,086,606	(\$699,466)	(\$783,411)	

Under the bond resolutions, the agency has the option to redeem bonds at an initial price of 103 percent and subsequently at prices declining to par. Generally, the redemption option cannot be exercised prior to the time the bonds have been outstanding for ten years. Certain special redemption options, as governed by the bond resolutions, are permitted prior to that time.

The bonds are secured, as described in the applicable bond resolutions, by the revenues, monies, investments, mortgage loans and other assets in the funds and accounts established by the resolutions.

TENNESSEE HOUSING DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
JUNE 30, 2000, AND JUNE 30, 1999

d. Notes Issued and Outstanding

The Single Family Mortgage Notes Trust Indenture, dated December 1, 1997 (the "Trust Indenture"), provides for the issuance of Agency drawdown notes with a maximum aggregate principal amount of \$65,000,000. On April 1, 1999 the Trust Indenture was supplemented providing for the maximum aggregate principal amount to be \$200,000,000.

The Series 1999CN-1 Notes (the "Notes"), dated April 13, 1999 are in the stated principal amount of \$200,000,000; however, the initial principal amount drawn down was \$65,235,000. The Notes bear interest, payable on the second Thursday of each succeeding month with respect to the principal amount drawn down by the agency. The interest rate is equal to ninety percent (90%) of the bond equivalent yield as determined on the related rate date.

The Homeownership Program Notes, 2000-2 C & D, are dated June 15, 2000. The notes mature on March 15, 2001, but are subject to optional redemption at par on or after January 1, 2001. Interest on the notes is payable on the date of maturity or upon earlier redemption.

The following table is a summary of notes issued and outstanding as of June 30, 2000, and June 30, 1999.

NOTES ISSUED			NOTES OUTSTANDING		
(Thousands)			(Thousands)		
<u>Series</u>	<u>Maturity</u>	<u>Stated Principal</u>	<u>Interest Rate (Percent)</u>	<u>06/30/2000</u>	<u>06/30/1999</u>
1999CN-1	4/13/2000	\$200,000	4.369	\$-0-	\$65,235
2000-2C	3/15/2001	20,865	4.750	20,865	-0-
2000-2D	3/15/2000	10,315	4.700	10,315	-0-
		<u>\$231,180</u>		<u>\$31,180</u>	<u>\$65,235</u>

NOTE 5. EQUITY

The \$2,500,000 shown as contributed capital on the balance sheet is an appropriation by the State of Tennessee for the Homebuyers Revolving Loan Program, a pilot demonstration program to fund low interest mortgages. Earnings from the Homebuyers Revolving Loan Program are reserved for use in the Homebuyers Revolving Loan Program.

The Reserve for Grant Programs reflects legislation of the State of Tennessee, effective July 1, 1988, which established the Assets Fund, the Housing Program Fund, and the Housing Program Reserve Fund. This legislation restricts to specific uses all agency funds that are not necessary to support the bond and note obligations and which can be withdrawn from the specific funds of the various bond resolutions as provided under the resolutions. These uses include supporting the rental rehabilitation program, construction loans, grants to local governments and nonprofit organizations, and agency operating expenses.

Initially an amount of \$49,018,410 was transferred on the agency's accounting records to the Assets Fund from the General Fund of the Mortgage Finance Program Group. In addition to the monies provided by the agency, TCA Section 13-23-402 allocated a portion of the real estate transfer taxes and the mortgage taxes levied by the State to the Housing Program Fund.

From time to time, the State of Tennessee has called upon the Agency and its resources, together with resources of other departments, agencies and organizations in state government, to provide funds to the State General Fund to balance the State budget. The following is a description of these occurrences in

TENNESSEE HOUSING DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
JUNE 30, 2000, AND JUNE 30, 1999

relationship to the Agency. On June 30, 1995, \$15,000,000 from the Agency's Housing Program Reserve Fund was transferred to the State General Fund. On June 30, 1998, \$43,000,000 was transferred from the Agency to the State General Fund. The \$43,000,000 transferred from the Agency came from the following resources of the Agency: (i) \$15,459,157 from tax revenues previously directed to the Housing Program Fund; (ii) \$5,028,761 from the Housing Program Reserve Fund; and (iii) \$22,512,082 from the Assets Fund. In addition, the Housing Program Reserve Fund was statutorily abolished effective June 30, 1998.

Beginning July 1, 1999 all tax revenue previously directed to the Agency for the Grant Program was redirected to the State General Fund for one year to reduce certain anticipated State budget shortfalls for fiscal year 1999-2000. Subsequently, legislative actions taken in connection with the adoption of the State's fiscal year 2001 budget have redirected all such tax revenue to the State General Fund to reduce certain anticipated State budget shortfalls for fiscal year 2000-2001. This redirection is permanent, consequently, beginning July 1, 2000, no future tax revenues will be available to the Agency for the Grant Program.

On November 18, 1999 the Agency's Board of Directors approved a \$6,500,000 grant program that will be paid from the General Fund of the Mortgage Finance Bond Group. \$4,800,047 of this amount was under contract at June 30, 2000, and is included in the Reserve for Grant Programs.

The Reserve for Program Bonds represents the equity that is unavailable for transfer from the Homeownership Program as required by the general bond resolution.

NOTE 6. DEFINED BENEFIT PENSION PLAN

The agency contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement, death, and disability benefits as well as annual cost-of-living adjustments to plan members and their beneficiaries. Title 8, Chapters 34-37, *Tennessee Code Annotated*, establishes benefit provisions. State statutes are amended by the Tennessee General Assembly.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for SETHEEPP. That report may be obtained by writing to the Tennessee Department of the Treasury, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, Tennessee, 37243-0230 or by calling (615) 741-8202.

Plan members are noncontributory. The agency is required to contribute at an actuarially determined rate. The current rate is 5.43% of annual covered payroll. Contribution requirements for the agency are established and may be amended by the TCRS' Board of Trustees. The agency's contributions to TCRS for the years ended June 30, 2000, 1999, and 1998 were \$241,470, \$255,198, and \$144,649. Those contributions met the required contributions for each year.

NOTE 7. PROVISIONS FOR MORTGAGE LOAN LOSSES

Most mortgage loans are insured by Federal Housing Administration (FHA) or an approved private mortgage insurance company, or are guaranteed by the Department of Veterans Affairs. The agency's Board of Directors has designated \$750,000 of unreserved retained earnings as a provision for possible loan losses arising from participation in the Rural Economic and Community Development (RECD) Loan Guarantee Program. An additional \$232,000 was designated to provide for losses on loans not specifically covered under one of the above programs, and \$500,000 has been designated for self-insurance of second mortgages.

TENNESSEE HOUSING DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
JUNE 30, 2000, AND JUNE 30, 1999

NOTE 8. RISK MANAGEMENT

a. Commercial Insurance

The agency carries commercial insurance for risks of loss related to employee dishonesty; general liability protection; and theft of, damage to, or destruction of real and personal property. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

b. Claims Award Fund

The state has set aside assets for claim settlement in an internal service fund, the Claims Award Fund. This fund services all claims for risk of loss to which the state is exposed, including general liability, automobile liability, professional malpractice, and workers' compensation. The agency participates in the Claims Award Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the agency based on a percentage of the agency's expected loss costs which include both experience and exposures. This charge considers recent trends in actual claims experience of the state as a whole. An actuarial valuation is performed as of each fiscal year-end to determine the fund liability and premium allocation. Since the agency participates in the Claims Award Fund, it is subject to the liability limitations under the provisions of the Tennessee Claims Commission Act, *Tennessee Code Annotated*, Section 9-8-101 et seq. Liability for negligence of the agency for bodily injury and property damage is limited to \$300,000 per person and \$1,000,000 per occurrence. The limits of liability under workers' compensation are set forth in *Tennessee Code Annotated*, Section 50-6-101 et seq. Claims are paid through the state's Claims Award Fund.

c. Employee Group Insurance Fund

The state has also set aside assets in the Employee Group Insurance Fund, an internal service fund, to provide a program of health insurance coverage for the employees of the state with the risk retained by the state. The agency participates in the Employee Group Insurance Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the agency based on estimates of the ultimate cost of claims that have been reported but not settled and of claims that have been incurred but not reported. Employees and providers have 13 months to file medical claims.

NOTE 9. OTHER POST-EMPLOYMENT BENEFITS

The State of Tennessee provides and administers a group health insurance program which provides post-employment health insurance benefits to eligible agency retirees. The agency assumes no liability for retiree health care programs. Information related to this plan is available at the statewide level in the *Tennessee Comprehensive Annual Financial Report*.

NOTE 10. PRIOR-PERIOD RESTATEMENTS

The financial statements for the year ended June 30, 1999, have been restated to properly reflect \$9.444 million of unamortized bond issuance costs as deferred charges instead of as unamortized bond discount. In addition, the amortization of issuance costs has been increased by \$732,214, and interest expense has been decreased by the same amount.

The financial statements have also been restated to properly reflect the reservation of retained earnings. As a result, reserved retained earnings have been increased by \$22.194 million.

TENNESSEE HOUSING DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
JUNE 30, 2000, AND JUNE 30, 1999

NOTE 11. SUBSEQUENT EVENTS

- a. Mortgage prepayments, foreclosure proceeds, and bond proceeds were used to call bonds as indicated below:

July 1, 2000	Mortgage Finance Program	\$ 7,275,000
	Homeownership Program	<u>\$20,319,685</u>
	Total	<u>\$27,594,685</u>